

Introduction

Although the stock market has recently begun to stabilize, and many analysts now expect the overall U.S. economy to begin picking up in the second half of this year, the fallout from declining stock, credit, housing and labor markets in 2008 and early 2009 is likely to be felt by the philanthropic sector throughout 2009 and into the future.

To assess how grantmakers in Minnesota have been affected by the downturn and how they anticipate responding to community needs, the Minnesota Council on Foundations (MCF), in partnership with the national Council on Foundations (COF), administered a survey in March 2009 on the outlook for grantmaking this year. COF wrote the survey, collected the national data,¹ and provided Minnesota-specific data to MCF for additional analysis. Although the survey instrument and respondents differed from those in MCF's *2009 Outlook Report* conducted in November 2008,² the current report is meant to provide additional, complementary insights. Where possible, MCF made comparisons between similar questions.

Key Findings

- **In March 2009, 52% of Minnesota grantmakers said** they expect to decrease grantmaking in 2009, more than the 40% who anticipated decreases in November 2008.
- **Nearly half of Minnesota grantmakers expect giving** will remain the same (31%) or increase (17%) in 2009 compared to 2008. In November, 41% expected grantmaking to remain the same in 2009, while 15% expected increases.
- **Minnesota grantmakers are faring better than the** nation as a whole: 62% nationwide say they will reduce grantmaking in 2009.
- **Asset declines among Minnesota grantmakers in** 2008 were not as steep as those experienced nationwide.
- **Most Minnesota grantmakers do not anticipate** significantly limiting relationships with new grantseekers in 2009.
- **More grantmakers in Minnesota than nationwide** report that assisting those adversely affected by the economic downturn is a new priority for 2009.
- **In relation to the economic downturn, grantmakers** say they are most likely to provide support for food, housing and jobs.
- **Minnesota grantmakers report the most likely ways** they will cut operating costs is by reducing travel and conference attendance, eliminating salary increases, and reducing or eliminating the use of consultants.

About This Survey

This June 2009 report summarizes responses from 59 Minnesota grantmakers, including 24 private foundations, 21 corporate foundations and giving programs, and 14 community or public foundations.

Proportionally, the representation of grantmakers by type in this report is the same as in MCF's *2009 Outlook Report*. The respondents to the current (March) survey represent 45% of all grant dollars paid in 2007 (the latest year for which complete data are available).³

Eighty-five percent of Minnesota survey participants reported having assets or an endowment; of those, 68% say their assets were in the range of \$1 million to \$49.9 million at the close of 2008. Just over 70% of respondents made grants totaling between \$100,000 - \$4.9 million during 2008.

¹ A complete copy of the report by COF, "Foundations Respond to the Needs of Families Even as Their Assets Have Declined," can be downloaded at www.cof.org/economicdownturn.

² A complete copy of MCF's *2009 Outlook Report* can be downloaded at www.mcf.org/outlook.

³ 107 grantmaking organizations responded to the November, 2008, survey, representing 70% of all grant dollars paid in Minnesota in 2006.

More Grantmakers Anticipate Drops in Giving

As a result of reduced assets, just over half (52%) of Minnesota survey respondents in March expect to decrease their grantmaking in 2009 (see Figure A), with 22% of respondents expecting decreases of 20% or more (see Figure B). By comparison, only 40% of respondents to the November Outlook survey anticipated decreases in grantmaking in 2009 (see MCF's *2009 Outlook Report*).

On the other side of the coin, the March survey reveals just under half of Minnesota respondents expect grantmaking to stay the same (31%) or increase (17%). In November, 41% expected grantmaking to remain the same in 2009, while 15% expected increases.

A comparison of the 49 survey respondents who participated in both the March 2009 and November 2008 surveys reveals a similar declining outlook (see Figure C). In March, 48% expected decreases to grantmaking, 11 percentage points more than in November. Thirty-three percent expected grantmaking to remain the same in March, a decline of 10 percentage points compared to November.

Figure A: Anticipated Grantmaking Changes in 2009 vs. 2008

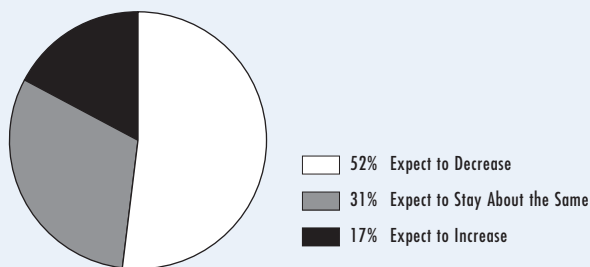
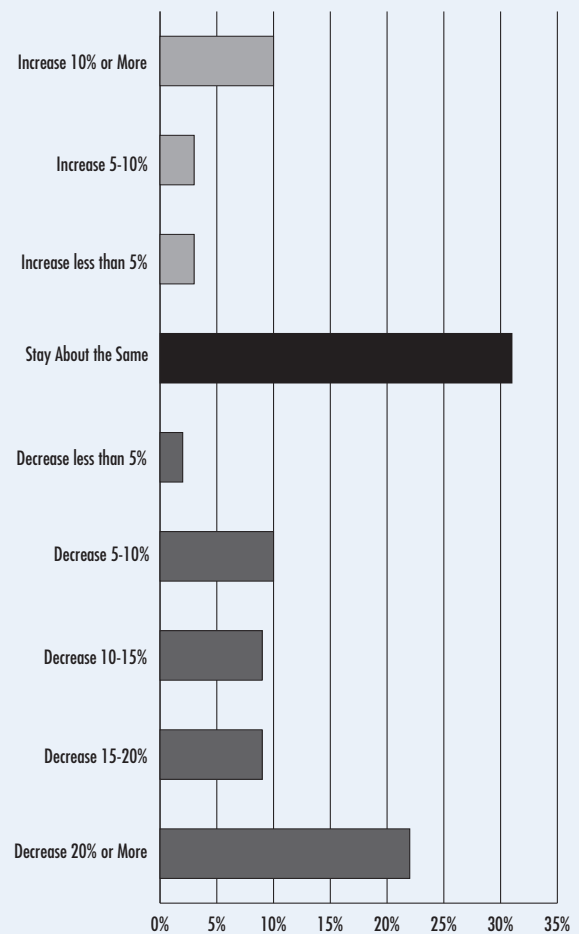
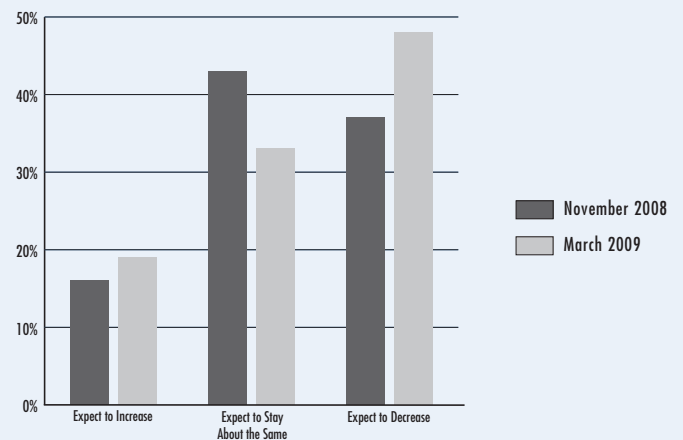


Figure B: Anticipated Ranges of Grantmaking Changes in 2009 vs. 2008*



* Due to rounding, figures do not add up to 100%.

Figure C: Anticipated Grantmaking Changes in 2009, November 2008 vs. March 2009*



* Comparison includes only the 49 respondents who participated in both the November, 2008 and March, 2009 survey. November figures do not add up to 100% due to 4% of respondents saying "Other." "Other" was not an option in the March survey.

Despite these findings, Minnesota appears to be faring somewhat better than the nation as a whole: 62% of foundations nationwide say they will reduce grantmaking in 2009, according to COF's analysis of the national data.

Corporate grantmakers in Minnesota are particularly optimistic about their grantmaking in 2009: 50% expect giving to remain at the same level and 20% expect to increase giving (see Figure D). Community and public foundations are evenly split: half expect decreases, while the other half expect giving to either hold steady at 2008 levels (29%) or increase (21%). Not unexpectedly, given that they have experienced the greatest asset declines, private grantmakers in the state of Minnesota are least optimistic about their grantmaking in 2009: 71% expect decreases this year. These trends are similar to those reported in MCF's *2009 Outlook Report*.

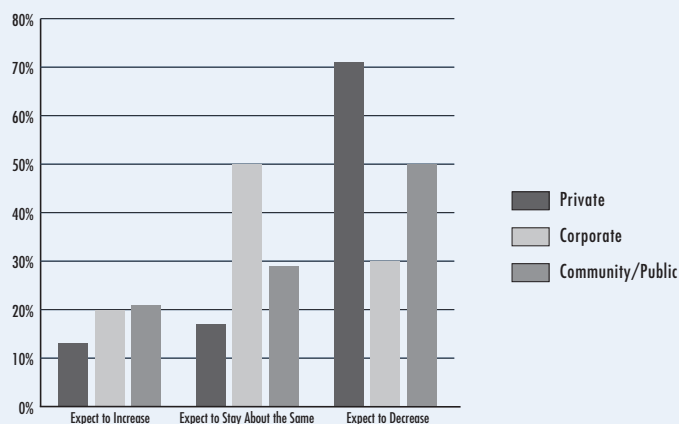
Asset Declines in Minnesota Less Steep Than Across the Nation

One of the primary reasons grantmaking will be lower in 2009 is the declining value of foundation assets (see Figure E). Of the 47 respondents who have endowments, 87% say their assets were lower in 2008, with a majority (74%) saying they were lower by 20% or more compared to 2007. Although these declines are significant, the data again suggest that Minnesota is faring better than the nation as a whole. The national data, as reported by COF, show that 73% of national respondents experienced asset declines of 25% or more in 2008. Further, in comparison to the stock market, which declined by about 38% in 2008, only a handful of Minnesota survey respondents (13%) reported asset declines of 35%, and none reported declines of 40% or more.

Although grantmakers in Minnesota appear to be doing slightly better than the nation, private foundations in the state are experiencing significantly steeper asset declines than other types of grantmakers. Sixty-three percent of Minnesota's private foundations say their assets were lower by 30% or more in 2008, compared to less than half of either corporate or community and public grantmakers in the state. These asset declines among Minnesota's private foundations are in line with those experienced nationally by family and independent foundations, according to the COF report.

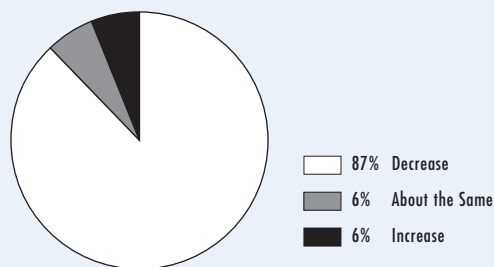
The decline in assets continued into the early part of 2009. Of those with assets and sufficient information to judge how their assets had changed in early 2009, about two-thirds reported their endowments had decreased at least another 10% in the first two months of the year. This compares to the 52% of Minnesota grantmakers who expected further asset declines in 2009 when they were surveyed in November 2008 for MCF's *2009 Outlook Report*.

Figure D: Anticipated Grantmaking in 2009 vs. 2008 by Grantmaker Type*



* Due to rounding, figures do not add up to 100%.

Figure E: Actual Endowment Changes, 2007 vs. 2008*



* Excludes the 12 respondents who do not have an endowment.

Outlook for New Grantseekers Better Than Expected

To manage reduced giving in 2009, grantmakers say they are likely to avoid multi-year obligations and give smaller amounts to grantees. Only a handful of grantmakers who expect to distribute less anticipate significantly limiting relationships with new grantseekers: 5 respondents out of 59 say they will not accept new grant applications and 6 respondents out of 59 anticipate not designating any new grantees.

In addition, many grantmakers say they will use their knowledge assets to assist nonprofits, by providing technical assistance, training and assessment services, and supporting capacity building. Finally, a handful of respondents say they will suspend grants for capital campaigns.

Philanthropy Responds to Those in Need

The majority of Minnesota survey respondents (81%) report their grantmaking will assist those adversely affected by the economic downturn, by providing aid to families, supporting human services, assisting lower income populations, or supporting economic development.

- 11% say this is a new focus for 2009.
- 25% say responding to the downturn is not a new focus but they will be increasing grantmaking in this area.
- 45% say this is not a new focus and they will maintain grantmaking in this area.
- The remainder will either decrease support in areas related to the economic downturn (15%) or do not make any grants in this area (4%).

Nationally, only 6% say responding to the economic downturn is a new focus in 2009.

Survey respondents also report that they may collaborate with other funders, convene meetings of funders and nonprofits, and assist nonprofits to better coordinate their assistance.

Eighty-six percent of respondents report they currently provide some funds for general operating support, in line with national trends, as reported by COF. Of the Minnesota grantmakers who provide operating support, 10% say this is a new strategy for 2009. Sixty-nine percent say it is not a new funding strategy, and they will either increase or maintain support.

Focus on Back-to-Basics: Food, Housing, Jobs

The specific services related to the downturn that Minnesota grantmakers say they are most likely to support are: basic skills education and job readiness skills (51%); food assistance (47%); and emergency housing assistance (41%). These priorities mirror national trends.

The services least likely to receive support include: financial assistance with mortgage payments (7%); assistance with heating or utilities bills (15%); and program-related investments (15%). Nationally, the areas least likely to be supported include financial assistance with mortgage payments; credit counseling; and homeownership or foreclosure-avoidance education.

Grantmakers Cut Costs

In addition to adjusting the type and level of grants, foundations and giving programs are addressing their own operational and administrative expenses. Three out of four survey respondents report they have taken actions to control operating costs in 2009 and just over half say they have cut their operating budgets in 2009. Community and public foundations in Minnesota are particularly likely to say they have cut their operating budgets this year.

To limit expenses, grantmakers are reducing travel budgets and attendance at conferences; eliminating or reducing staff professional development budgets; eliminating salary increases for staff; and reducing or eliminating the use of consultants.

The Minnesota survey respondents do not appear to be experiencing significant job losses or changes to the quality of work life. While a handful report they have eliminated positions or laid off staff, the majority say they are not undertaking these actions. The least likely actions survey participants report taking to reduce staff expenses are asking employees to increase their contributions to benefit plans; reducing salaries; laying off or furloughing staff; and instituting a hiring freeze. This data mirrors national trends, as reported by COF.



MINNESOTA COUNCIL
ON FOUNDATIONS

100 Portland Avenue South, Suite 225
Minneapolis, Minnesota 55401-2575

t 612.338.1989
f 612.337.5089

info@mcf.org
mcf.org

Published June 2009

© 2009 Minnesota Council on Foundations. All rights reserved.

For more information, contact MCF's Research Manager, Juliana Tillema, at 612.335.3559, jtillema@mcf.org.